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Director of Central Intelligence

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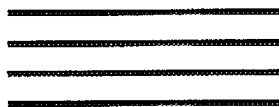
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INDONESIA:

Government Crackdown Raising Political Tension (U)

The extensive rioting in central Jakarta over the weekend following the police seizure of the headquarters of the opposition Indonesia Democracy Party (PDI) is likely to widen differences between President Soeharto and some of his advisers and cause more displays of public opposition to the regime.

— [] several ministers—including Vice President Sutrisno and Defense Minister Sudradjat—last month opposed Soeharto's heavyhanded effort to oust PDI leader Megawati Sukarnoputri, which led her supporters to refuse to vacate party headquarters.

— [] Soeharto's transparent bid to crush his political opponents will increase doubts within the establishment about his capacity for continued leadership and tarnish his claim that he enjoys consensus backing if he decides to seek another term. *The attacks on Megawati may backfire by providing a rallying point for disparate groups critical of the regime.* []

The government is concerned about the potential for more violence.

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— [] improved communications links between students and public interest organizations throughout Indonesia may facilitate national reactions to events in Jakarta. []

In the aftermath of the riots, foreign speculators may sell short-term holdings in local stock markets this week, and the government could intervene in currency markets to defend the rupiah. The Jakarta stock market fell sharply in early trading today, and the rupiah was hit by heavy selling, according to press reporting.

— *Barring widespread, sustained disturbances, foreign and local companies are unlikely to alter long-term plans to invest in a country where most analysts predict 8-percent growth this year.*

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